

American Telephone & Telegraph Co.

REPORT OF THE BOARD OF DIRECTORS
TO THE STOCKHOLDERS
FOR THE YEAR
1928



New York
195 BROADWAY
1929

American Telephone and Telegraph Company

JANUARY 1, 1929

OFFICERS

President

WALTER S. GIFFORD

Vice Presidents

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General Manager, Long Lines Department

T. G. MILLER



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"SERVICE TO THE NATION"

A sculpture in bronze and marble, by Chester Beach, placed in the Headquarters Building of the American Telephone and Telegraph Company in 1928.



SERVICE
TO THE
NATION

IN
PEACE
AND
WAR

**Report of the Directors
of
American Telephone and Telegraph Company**

New York, March 1, 1929.

TO THE STOCKHOLDERS:

During 1928 the Bell System generally has improved telephone service, kept down its cost to the user and at the same time installed plant and equipment sufficient to care promptly for new business. Contributing to this end the American Telephone and Telegraph Company has prosecuted diligently its research, development and engineering for better means and methods of telephone operation, and for greater efficiency and economy in the maintenance and construction of telephone facilities.

The Bell System revenues from local exchange service increased \$40,000,000 or 6.6 per cent over the previous year, and revenues from toll and long-distance service increased \$38,000,000 or 14.1 per cent. The increase in total operating revenues was \$80,700,000 or 9 per cent. Due in part to additional expenditures for better service, total expenses increased 8.8 per cent and the investment in plant and other assets increased 10.7 per cent. The total plant and other assets at the end of the year amounted to \$3,827,000,000. The net earnings for the year of \$242,700,000 were at the rate of 6.6 per cent on the cost of plant and other assets.

In accordance with the policy of the Company to pay reasonable and regular dividends only, and for part of the new capital needed to offer additional capital stock to the stockholders on favorable terms, quarterly dividends of \$2.25 a share were paid during the year, and an offer at par of \$185,863,000 of stock of this Company was made to stockholders of record June 1, 1928. More than 264,000 subscriptions were received

M. R. GIFT REQUEST

SEP 20 1929

for this new stock. The money from this issue is being used by the Associated Companies of the Bell System and the Long Lines Department of the American Telephone and Telegraph Company for plant and equipment. Due partly to this issue of additional stock, the number of stockholders of the Company increased from 423,580 at the end of 1927 to 454,596 at the end of 1928. The average number of shares held per stockholder is now 28.

During the year \$428,700,000—more than \$1,000,000 a day—was expended on construction. While for the most part this was for facilities to take care of new business, a considerable portion of it was to provide better facilities to improve service. This expenditure for plant was the largest that has ever been made in one year.

The expenditure for 1929 is expected to exceed this amount, and for the next five years will undoubtedly be well in excess of the \$1,900,000,000 spent in the past five years.

There were 798,592 telephones added to the number owned and operated by the Bell System, and at the end of the year 19,200,000 telephones in the United States were inter-connected in and with the Bell System. Approximately 4,300,000 of these were telephones of independent connecting companies—some 8,300 different telephone companies and 30,000 farmers' lines.

The transatlantic telephone service, originally established between the United States and Great Britain, has been extended to Sweden, Norway, Denmark, France, Spain (including Ceuta in Africa), Belgium, Holland, Germany, Switzerland, Austria, Czecho-Slovakia, Hungary and the city of Danzig. The Bell System was already connected with the telephone systems in Canada, Cuba and Mexico. The 19,200,000 telephones of the Bell System can thus reach more than 8,600,000 telephones in Canada, Cuba, Mexico and Europe, making it possible for any one of these telephones in the United States to be connected with any one of 27,800,000 out of the total 32,800,000 telephones in the world.

The increase in the standards of living, the growth of business activity generally, a more rapid and accurate telephone service, a growing appreciation of the value of the service, and the continuing effort of the entire Bell System personnel to see that every telephone user in the United States has adequate

telephone facilities for his or her comfortable and convenient use, as well as the increase in population, all contribute to the growth of the telephone business.

This growth would seem to be conclusive evidence of the reasonable cost of telephone service to the user. If charges were not reasonable, growth would obviously be retarded, if not stopped.

With the exception of a few places where rates are clearly inadequate, and in spite of the tendency for the cost of furnishing local service to increase as the extent of the service increases, the continuing technical advances in the telephone art and improvements in operation methods should enable the System to provide ever increasing service in local areas without further increase in rates. Through the increased number of telephones with which a subscriber may communicate and through improved service, the cost of telephone service is actually becoming less and less in that the telephone user is buying more and better service for the same money.

While the Bell System seeks to furnish the public the best possible service at the least cost, the policy which recognizes this obligation to the public recognizes equally its responsibilities to its employees. It is and has been the aim to pay salaries and wages in all respects adequate and just and to make sure that individual merit is discovered and recognized.

Fair and just salaries and wages to the personnel, reasonable, regular dividends to the stockholders together with an opportunity for them to make additional investments in the business from time to time on favorable terms, and further improvements in service or reduction in charges for service to telephone users so far as financial safety permits, are fundamental in the policy of the management to furnish the most telephone service and the best at the least cost.

Effective February 1, 1929, there was a reduction in toll and long-distance rates amounting to a saving to the users of about \$5,000,000 annually. Also, during 1928 the basic trans-oceanic telephone rate was cut from \$75 to \$45. Effective at the beginning of 1929 the American Telephone and Telegraph Company reduced its charge to its Associated Companies under its contracts for services from 2 per cent to $1\frac{1}{2}$ per cent of the gross telephone revenues of those companies. This reduction amounts to about \$4,600,000 annually and is in accord with the

practice of the American Telephone and Telegraph Company to do everything possible to aid its Associated Companies in keeping down the cost of telephone service. The Western Electric Company, Incorporated, reduced prices in 1928 by about \$20,000,000 on the present annual volume of purchases by Bell System companies. This was accomplished largely by increased efficiency and improved methods of manufacture.

Service Improvements

During 1928 there was further definite improvement in local exchange telephone service. Operating errors, including those made by the users as well as those of the operating forces, were reduced 10 per cent.

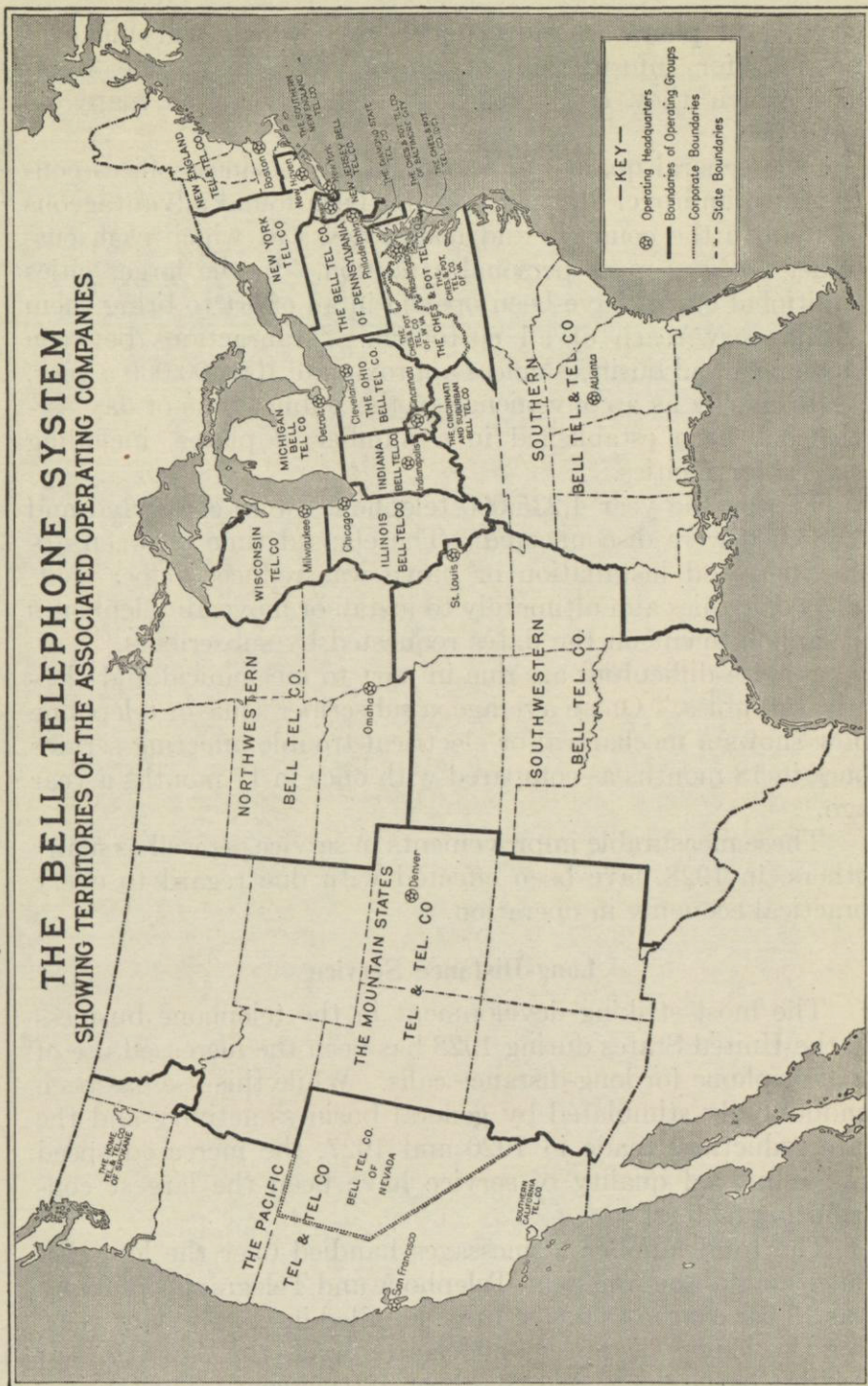
The telephone calls that failed of completion on first attempt were reduced by 3 per cent, meaning a better handling of more than 150,000,000 calls a year.

Toll and long-distance service has shown further improvement. The average length of time for handling a call was 1.2 minutes, as compared with 1.5 minutes in 1927 and 2.6 minutes in 1925. At the present time about 95 per cent of all toll and long-distance calls are handled while the calling party remains at the telephone, as compared with 90 per cent a year ago and 70 per cent in 1925. With this improvement in speed there has been continued gain in the clearness of voice transmission.

About one-fifth of all telephones receive service through private branch exchange switchboards which are operated by employees of subscribers. In order to improve the service which they render, the telephone companies have opened schools for their instruction, in which during 1928 thousands were trained. The companies also are supplying an increasing percentage of experienced operators for private branch exchange switchboards. However, there still remains a real opportunity to better the service by further improvement of private branch exchange operation.

About 750,000 calls a day are for "Information." In some cases, information operators must have ready access to as many as a million names and addresses. Better equipment and improved methods have produced a better handling of these calls. The more rapid toll service makes it necessary that "Information" furnish subscribers' numbers in distant

THE BELL TELEPHONE SYSTEM SHOWING TERRITORIES OF THE ASSOCIATED OPERATING COMPANIES



cities, and plans are now under way which will make it possible for information operators to increase the numbers which they can furnish immediately to as many as 5,000,000.

The general quality of service in our business offices continues to improve. In many, it has been found advantageous to remove the counters and install desks at which each customer receives more personal attention. In the larger cities additional offices have been opened in an effort to bring them within easy reach of all customers. Transactions between customers and business offices approximate 100,000,000 a year.

Primarily as a convenience to the public, time-of-day service has been established in a number of places, including several large cities.

During the year 4,235,000 telephones were connected and 3,485,000 were disconnected. The elapsed time between application and installation or move was reduced 5 per cent. The companies aim ultimately to install or move all telephones by appointment on the dates requested by subscribers.

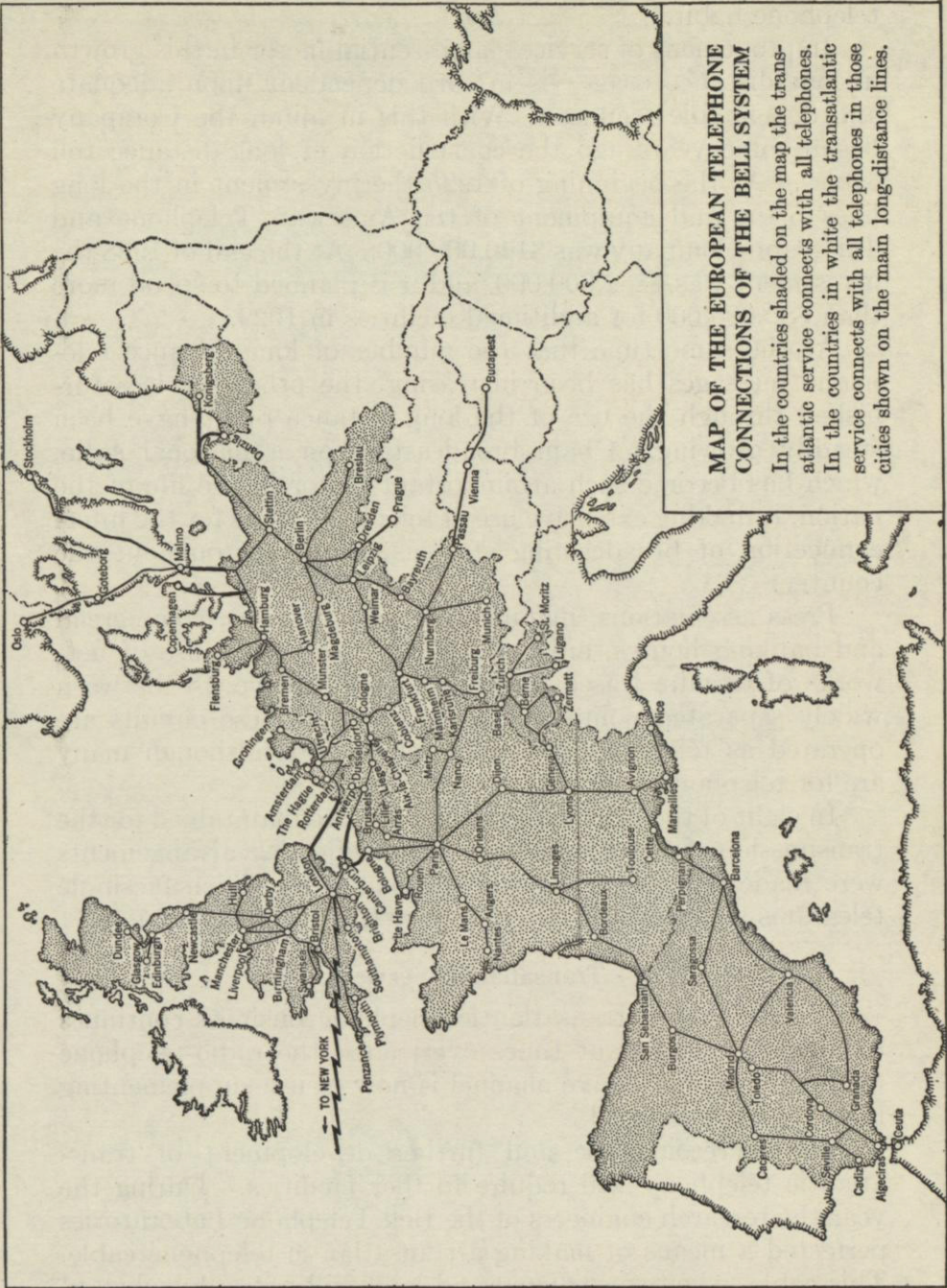
Service difficulties are due in part to mechanical and electrical troubles. On an average, a subscriber's line or telephone now shows a mechanical or electrical trouble affecting service once in 18 months as compared with once in 17 months a year ago.

These measurable improvements in service, as well as many others, in 1928 have been effected with due regard to every practical economy in operation.

Long-Distance Service

The most striking development in the telephone business in the United States during 1928 has been the increased use of the telephone for long-distance calls. While this use has been undoubtedly stimulated by general business activity and the rate reductions made in 1926 and 1927, the increased speed and improved quality of service have been the largest contributing factors.

The total number of messages handled over the long-distance lines of the American Telephone and Telegraph Company was 18 per cent in excess of those handled in the previous year. For the longer distances, such as between the Atlantic and Pacific Coasts, the increase has been 100 per cent. The country



MAP OF THE EUROPEAN TELEPHONE CONNECTIONS OF THE BELL SYSTEM

In the countries shaded on the map the transatlantic service connects with all telephones. In the countries in white the transatlantic service connects with all telephones in those cities shown on the main long-distance lines.

is becoming "long-distance minded" and is acquiring a new telephone habit.

Improvement of service—an essential factor in this growth in long-distance usage—is in turn dependent upon adequate and dependable facilities. With this in mind, the Company began some years ago the construction of long-distance toll cables. At the beginning of 1925 the investment in the long lines plant and equipment of the American Telephone and Telegraph Company was \$140,000,000. At the end of 1928 the investment was \$262,000,000, and it is planned to spend more than \$80,000,000 for additional facilities in 1929.

At the same time that the number of long-distance telephone messages has been increasing, the other services furnished through the use of the long-distance plant have been steadily growing. Chain broadcasting on a national scale, which has become such an important factor in the life of the nation, is making extensive use of telephone wires for the interconnection of broadcasting stations located throughout the country.

Press associations, manufacturing enterprises, commercial and banking houses, are making more and more use of networks of circuits leased for their own exclusive use between widely separated points. The majority of these circuits are operated as telegraph or typewriter circuits, although many are for telephone use.

In eight of the principal cities, offices are maintained for the transmission of pictures by wire, and during 1928 arrangements were made with the telegraph companies by which facsimile telegrams and messages are sent over this telephoto system.

Transatlantic Service

The volume of transatlantic telephone business continues to increase and has at times overloaded the radio-telephone facilities. A short-wave channel is now in use supplementing the long-wave channel.

The increasing use and further development of transatlantic telephony will require further facilities. During the year the research engineers of the Bell Telephone Laboratories perfected a means of making a transatlantic telephone cable. This cable, when constructed and laid, will not only substantially increase the facilities for transatlantic communication

but will also provide a circuit of maximum reliability. In the meantime, radio-telephone transmission is being further developed and more transatlantic radio channels are planned.

There is also under way the establishment of a short-wave channel between the United States and the Argentine which should meet the initial requirements for telephone communication between the two countries.

Development and Research

The transoceanic telephone service illustrates the importance to the telephone business of fundamental developments growing out of continued research. The research and development work of the American Telephone and Telegraph Company and its Bell Telephone Laboratories is a principal factor in the improvement and extension of telephone service and the maintenance of the low costs of furnishing that service. The major part of this work is improving the art of transmission and improving switchboards, cables and other telephone equipment, looking toward better service and reduction in the cost of both apparatus and operation. During the year more than 75 major improvements in central office equipment were standardized and made available, including a new manual private branch exchange board, a toll tandem board, an automatic residence private branch exchange and an 1818-pair exchange cable which has 50 per cent more conductors than any previous cable. Approximately 6,000 minor changes, modifications and improvements were perfected to facilitate manufacture, improve operation, or to meet special plant situations. Hundreds of major problems of this sort are constantly under study and investigation by the development and research engineers and scientists. The cumulative effect of such studies continues to play a vital part in furnishing the most and best possible telephone service at the least cost.

During 1928, in addition to the perfection of the long-distance submarine telephone cable, further progress was made in the short-wave radio art, including telephone communication with airplanes. While it has for many years been possible to communicate telephonically with airplanes as well as ships at sea, the work of the Laboratories is directed to making such communication commercially practical.

Television was first demonstrated in the Bell Telephone

Laboratories in 1927. In 1928 further progress was made and a new transmitting device which is capable of putting upon the television circuit outdoor scenes was developed. Work on television with the idea that it might ultimately be supplemental to the telephone is being continued.

The Bell Telephone Laboratories have the scientific knowledge that would enable them to set up circuits which could carry instantaneously the human voice and the human sight around the world, but how to make this economically practical is yet to be discovered. Progress will undoubtedly be made by a gradual extension of the present limits.

Contracts with the Telegraph Companies

In 1928 the American Telephone and Telegraph Company made contracts for the use of plant with the Western Union Telegraph Company and the Postal Telegraph-Cable Company intended to further the development of electrical communications. These contracts should ultimately result in eliminating to a large extent the duplication of parallel pole lines and wire circuits, since by the use of proper apparatus it is possible to telephone and telegraph simultaneously over telephone toll and long-distance wires.

The telegraph companies also may lease apparatus developed in the Bell Telephone Laboratories by which under certain conditions a greatly increased number of messages may be sent simultaneously over a single pair of telegraph wires. By these arrangements many of the advantages that would accrue from the consolidation of all electrical communications will be obtained and at the same time the complete independence of the telephone and telegraph companies will be maintained.

Electrical Research Products, Incorporated

The developments and inventions of the Bell Telephone Laboratories to meet the needs of the Bell System have resulted in valuable contributions to the progress of electrical science outside the strictly telephone field. To make these developments and inventions available in such other fields, Electrical Research Products was organized in December, 1926, as a wholly-owned subsidiary of the Western Electric Company. Thus the non-telephone activities are given the special attention that they demand without conflict with the telephone work of the Bell System. They relate chiefly to the manufacture and

operation of modern high-speed submarine telegraph cables, the manufacture of phonographs and records, and the production and reproduction of talking motion pictures.

Talking motion pictures are being produced under the Western Electric system and the apparatus for their reproduction in theatres has been installed by Electrical Research Products. About one thousand theatres have been equipped and the program for 1929 calls for an additional three thousand.

Sale of the Graybar Electric Company, Incorporated

In 1925 the Graybar Electric Company was organized as a wholly-owned subsidiary of the Western Electric Company to take over that company's merchandising business in electrical supplies. The trend of the business of the Graybar Electric Company has been toward an increasing proportion of sales of electric light and power supplies furnished by various electrical manufacturers, and the sale of products manufactured by the Western Electric Company had become a relatively small proportion of the total Graybar business. Therefore, at the end of 1928 the Western Electric Company sold the Graybar Electric Company.

Employees' Pensions, Savings and Insurance Plans

The companies of the Bell System have continued to aid employees to reach a higher degree of economic security and to encourage them to help themselves to the limits of their possibilities. The comprehensive program to these ends consists of the provision of pensions, disability and death benefits; the opportunity to buy stock of the American Telephone and Telegraph Company by deductions from salary; an arrangement for depositing salary deductions in savings banks; and an arrangement for using salary deductions for the payment of life insurance premiums.

The pensions, death and disability benefits are wholly paid for by the companies. In the purchase of stock and in the use of payroll deductions for savings or insurance, the companies provide opportunities by which the employees can help themselves. About \$45,000,000 a year, or nearly 8 per cent of the Bell System's payroll (including the Western Electric Company and Bell Telephone Laboratories), is devoted to savings under one or another of these plans, which is the best evidence of their value to the employees.

The Plan for Employees' Pensions, Disability Benefits and Death Benefits was changed during 1928 so that all benefits except service pensions are charged directly to current operating expenses. The amounts previously reserved as "Employees' Benefit Funds" have been transferred to the Pension Trust Fund in which amounts are being accumulated currently for service pension purposes and from which all service pensions will hereafter be paid.

The Life Insurance Plan, which is the most recent part of the general program, was first introduced in 1926. It provides opportunity for the purchase of standard forms of life insurance by monthly or weekly deductions from payroll. It is in operation in all but one of the Associated Companies and that company proposes to introduce it in 1929. In the short time in which it has been in operation (in many companies, for less than a year) more than 30,000 employees of the Bell System, including the Western Electric Company, have bought policies amounting to about \$60,000,000 of insurance. More than half of these policies have been taken by people who had had no appreciable insurance before.

After nearly fifty years of continuous and devoted service in the Bell System Mr. H. B. Thayer, Chairman of the American Telephone and Telegraph Company, retired on his seventieth birthday, August 17, 1928, with the appreciation of the Board of Directors of his invaluable services in the development and success of the Bell System.

In the death of Mr. Charles Eustis Hubbard on August 24, 1928, the Company lost the valuable services of a Director who had been a member of this Board, or of the boards of its predecessors, from the original incorporation of the first telephone company on February 2, 1878.

The year 1928 has been one of expansion and progress in the Bell System. The efficiency and enthusiasm of the entire personnel have never been higher. Perhaps in no business is success more dependent upon the efforts of each individual, and the results for the past year reflect the achievement that comes from successful cooperation in a common enterprise.

For the Directors,

WALTER S. GIFFORD,
President.

VAIL MEDAL AWARDS

The Theodore N. Vail Memorial Fund provides annual awards in recognition of unusual acts of service by Bell System employees. The awards this year from this Fund were one gold medal with \$500 cash, five silver medals with \$250 cash each, and forty-nine bronze medals, citations accompanying all.

GOLD MEDAL AWARD

FRED F. BROWN

*Foreman, The Connecticut Valley Telephone Company
Bradford, Vermont*

FOR COURAGE, INITIATIVE AND RESOURCEFULNESS IN RESTORING VITAL
TELEPHONE SERVICE IN A SERIOUS EMERGENCY, IN THE
FACE OF GRAVE PERSONAL DANGER

When the unprecedented rains in Northern Vermont in early November, 1927, had turned the rivers into torrents of destruction which paralyzed activities in that section of the state, Foreman Brown and two fellow-employees set out on November 5 to clear at least one toll line into Montpelier, the capital city, which had been isolated.

After driving twenty miles over back roads and high ground, they found that the lines were crossed where the Wells River had washed out a pole and left the tie wires tangled in the toll circuits. The cross could not be shaken out and, although the river was a rushing torrent filled with logs, trees and other debris and a fall would have meant almost certain death, Brown hooked his safety strap over the four wires and rode out on what was then a two hundred and sixty foot span, untangled the ties which caused the cross and, when one wire broke as he started back, rode the remaining three back to the pole in safety.

The circuit which he restored was immediately put in service for official use of the state authorities and was of vital importance in the organization of the relief work and in giving accurate news to the outside world.

SILVER MEDAL AWARDS

WILLIAM FOSTER OWENS

*Lineman, Rock Springs, Texas
Rock Springs Telephone Company*

PATRICK B. McCORMICK

*Agent, Becket, Massachusetts
New England Tel. & Tel. Co.*

CLARA B. PITKIN

*Agent, West Hartford, Vermont
White River Valley Tel. Co.*

MARY ELIZABETH ALGOR

*Agent, Holmdel, New Jersey
New Jersey Bell Telephone Co.*

HORACE E. ROBY

*Supt. of Traffic, Montpelier, Vermont
New England Tel. and Tel. Co.*

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Balance Sheet, December 31, 1928

ASSETS

INVESTMENTS :

Stocks of Associated Companies	\$1,498,895,557.01
Investment, at cost, in stocks of associated telephone companies. See page 17. Increase during year \$151,072,551.	
Stocks of Other Companies	91,663,691.36
Investment, at cost, in stocks of affiliated and subsidiary companies other than Associated Companies. See page 17. Increase during year \$11,321,001.	
Bonds and Notes of, and Advances to, Associated Companies . .	190,210,873.07
Temporary financing of Associated Companies for the extension of their telephone properties, including also \$1,167,000 investment in bonds of Home Long Distance Telephone Co. (San Francisco). Decrease during year \$12,238,839.	
Notes of, and Advances to, Other Companies	8,550,000.00
Loans and advances to affiliated and subsidiary companies, comprising the Bell Telephone Laboratories, Inc., \$1,300,000, the Bell Telephone Securities Company, \$2,300,000 and the 205 Broadway Corporation, \$4,950,000. Decrease during year \$525,000.	

PLANT AND EQUIPMENT :

Long Lines Plant and Equipment	262,233,248.19
Cost of long-distance plant and equipment for providing interconnection between and through territories of Associated Companies. Increase during year \$46,985,104.	
General Equipment	1,285,059.33
Cost of office furniture and equipment other than that included in Long Lines Plant and Equipment.	

CURRENT ASSETS :

Accounts Receivable	16,913,064.98
Current receivables, including dividends, interest, tolls and other items.	
Temporary Cash Investments	122,880,924.01
Funds temporarily invested in municipal, state and U. S. Government short-term obligations in anticipation of financial requirements.	
Cash	20,695,267.43
Cash and deposits in banks available for current requirements.	
Total Assets	<u>\$2,213,327,685.38</u>

AMERICAN TELEPHONE AND TELEGRAPH COMPANY
Balance Sheet, December 31, 1928, Continued

LIABILITIES

CAPITAL STOCK :

Stock Issued and Outstanding \$1,289,691,400.00
 Total par value of shares outstanding. Increase during year
 \$186,275,800. See page 18.

Installments 57,870,062.99
 Installments paid on stock subscribed for but not yet issued.
 See page 18.

LONG-TERM DEBT :

Bonds and Debentures 380,196,000.00
 Face value of debt obligations in the form of bonds and debentures. Decrease during year \$3,901,900. See page 18.

Notes 8,409,911.58
 Notes sold to Trustee of Pension Fund.

CURRENT LIABILITIES :

Dividend Payable January 15, 1929 28,991,317.50
 Dividend declared for last quarter of 1928.

Accounts Payable 10,806,868.22
 Current accounts for supplies, services, etc.

Interest and Taxes Accrued, Not Due 13,337,308.14
 Interest and taxes accrued but not due and payable until a later date.

SURPLUS AND RESERVES :

Reserves for Depreciation and Contingencies 106,619,402.10
 Provision for the ultimate retirement of plant and equipment used up in furnishing telephone service, and provision for contingencies. Increase during year \$7,061,181.

Surplus (Including Capital Stock Premiums) 317,405,414.85
 Accumulated surplus, including \$55,027,713 received in excess of par value for capital stock. Increase during year, \$44,969,433, comprising:
 Net Income carried to Surplus \$39,349,051
 Premiums on capital stock issued during year 5,849,931
 Less Miscellaneous Deductions (net) 229,553

Total Liabilities \$2,213,327,685.38

C. A. HEISS, Comptroller.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Statement of Earnings and Expenses for the Year Ending December 31, 1928

EARNINGS

Dividends	\$119,176,197.08
Dividends on stocks owned.	
Interest	15,420,239.12
Interest on notes and advances, on bonds owned, and on temporary cash investments and bank deposits.	
Telephone Operating Revenues	100,583,826.46
Revenues from operation of the long-distance lines and revenues from services furnished under contracts with the Associated Companies.	
Miscellaneous Revenues	601,715.36
Total	\$235,781,978.02

EXPENSES	70,513,928.70
Expenses incurred in conducting the business, including depreciation and taxes.	

NET EARNINGS	\$165,268,049.32
Deduct Interest	22,097,557.99
Interest on bonds, debentures and other indebtedness.	

NET INCOME	\$143,170,491.33
Deduct Dividends	103,821,439.95
Dividends at the rate of \$9.00 per share per annum on capital stock.	

Balance Net Income carried to Surplus	\$ 39,349,051.38
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Average number of shares of capital stock outstanding during year	11,823,745
Net earnings per share available for dividends (after interest charges)	\$12.11

C. A. HEISS, Comptroller.

LYBRAND, ROSS BROS. & MONTGOMERY
ACCOUNTANTS AND AUDITORS
110 WILLIAM STREET
NEW YORK

February 4, 1929.

We have audited the accounts of the

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

for the year ended December 31, 1928, and have reviewed reports for that year rendered to the company by the associated and directly controlled companies.

We certify that the balance sheet and income statement as published herewith are in accordance with the books, and, in our opinion, set forth correctly the financial position of the American Telephone and Telegraph Company as at December 31, 1928 and the results of its operations for the year 1928.

LYBRAND, ROSS BROS. & MONTGOMERY.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Holdings of Stocks of Associated and Other Companies

December 31, 1928 (a)

Stocks of Associated Companies—Common:	Par Value of Holdings	Per Cent of Total Outstanding
New England Telephone and Telegraph Company	\$ 68,589,300	61.98
Southern New England Telephone Company	11,670,200	33.34
New York Telephone Company	280,600,000	100.00
New Jersey Bell Telephone Company	100,395,200	100.00
Bell Telephone Company of Pennsylvania	80,000,000	100.00
Chesapeake and Potomac Telephone Company	13,000,000	100.00
Chesapeake and Potomac Telephone Co. of Balt. City . .	26,824,300	100.00
Chesapeake and Potomac Telephone Co. of Virginia . .	13,200,000	100.00
Chesapeake and Potomac Telephone Co. of West Virginia	16,200,000	100.00
Southern Bell Telephone and Telegraph Company	99,998,100	99.99
Ohio Bell Telephone Company	84,998,900	99.99
Cincinnati and Suburban Bell Telephone Company . . .	6,535,050	29.71
Michigan Bell Telephone Company	84,989,607	99.99
Indiana Bell Telephone Company	29,999,100	99.99
Wisconsin Telephone Company	25,650,000	100.00
Illinois Bell Telephone Company	109,016,900	99.11
Northwestern Bell Telephone Company	65,000,000	100.00
Southwestern Bell Telephone Company	140,000,000	100.00
Mountain States Telephone and Telegraph Company . .	27,990,000	72.82
Pacific Telephone and Telegraph Company	79,045,700	85.00

Stocks of Associated Companies—Preferred:

Ohio Bell Telephone Company	(b)15,389,000	54.52
Pacific Telephone and Telegraph Company	64,042,700	78.10

Stocks of Other Companies—Common:

Bell Telephone Laboratories, Inc.	50,000	(c)50.00
Bell Telephone Securities Company	1,000,000	100.00
Bell Telephone Company of Canada	18,749,800	31.07
Central Union Telephone Company	1,999,800	99.99
Cuban American Telephone and Telegraph Company . .	540,000	50.00
Western Electric Company, Inc. (no par value)	(d)3,933,447	98.34
195 Broadway Corporation	2,100,000	70.00
205 Broadway Corporation	2,500,000	100.00

Stocks of Other Companies—Preferred:

Cuban American Telephone and Telegraph Company . .	400,000	50.00
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(a) All stocks have voting rights unless otherwise indicated.

(b) Has no voting rights except in certain contingencies.

(c) Remaining 50% owned by Western Electric Company, Inc.

(d) Number of shares.

In addition to the above-mentioned Associated Companies there are four such companies all of whose voting stock is owned by other Associated Companies as follows: all of the stock of the Bell Telephone Company of Nevada, the Home Telephone and Telegraph Company of Spokane and the Southern California Telephone Company is owned by the Pacific Telephone and Telegraph Company, and all of the common stock of the Diamond State Telephone Company is owned by the Bell Telephone Company of Pennsylvania.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Changes in Capital Stock Outstanding During 1928

	Par Value
Capital Stock outstanding December 31, 1927	\$1,103,415,600.00
Issued for cash in accordance with the terms of the offer of May 16, 1928, to stockholders of record June 1, 1928	164,494,300.00
Sale to public of portion of unsubscribed stock remaining in Treasury from previous offers to stockholders	2,032,700.00
Issued to employees of the Bell System upon completion of installment payments under Employees' Stock Plan	19,748,800.00
Capital Stock outstanding December 31, 1928	<u>\$1,289,691,400.00</u>
Increase during year	<u>\$ 186,275,800.00</u>

Changes in Capital Stock Installments During 1928

Capital Stock Installments December 31, 1927:	
From employees under Employees' Stock Plan	\$ 38,873,600.49
Capital Stock Installments December 31, 1928:	
From employees under Employees' Stock Plan	\$ 45,493,808.75
From stockholders under terms of offer of May 16, 1928	12,376,254.24
Total	<u>\$ 57,870,062.99</u>
Increase during year	<u>\$ 18,996,462.50</u>

Changes in Bonds and Debentures Outstanding During 1928

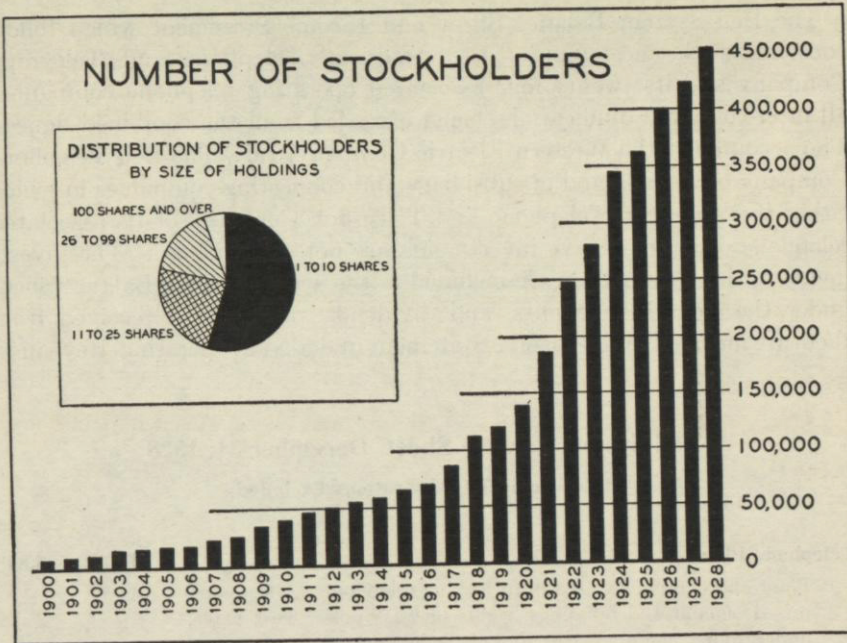
	Face Value	
	Dec. 31, 1928	Decrease
4% Collateral Trust Bonds, 1929	\$ 74,850,000.00	(a) \$3,150,000.00
5% Collateral Trust Bonds, 1946	70,162,500.00	(b) 751,900.00
5% Collateral Trust Bonds, 1932 (Western T. & T. Co.)	9,969,000.00	.....
5½% Debenture Bonds, 1943	97,939,700.00	.....
5% Debentures, 1960	122,786,400.00	.....
4% Convertible Bonds, 1936 (c)	2,589,000.00	.....
4½% Convertible Bonds, 1933 (c)	1,899,400.00	.....
Total	<u>\$380,196,000.00</u>	<u>\$3,901,900.00</u>

(a) Reacquired in anticipation of maturity July 1, 1929.

(b) Retired through the operation of the sinking fund.

(c) Conversion privilege expired.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

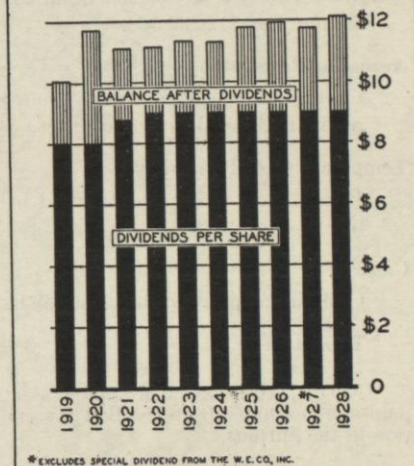


The number of stockholders of this Company has increased from 7,535 in 1900 to 454,596 at the end of 1928. During 1928 the increase was 31,016. Of the total stockholders at the end of the year, 55% were holding but from 1 to 10 shares each as indicated in the small insert above. No single stockholder holds as much as 1% of the total stock. More than 88,000 stockholders were employees of the Bell System who, for the most part, had bought their stock by small monthly payments under the Employees' Stock Plan.

There were also on December 31st, approximately 27,000 holders of common stock and 142,000 holders of preferred stock of the Associated Companies. Making allowance for duplication in these totals, it is estimated that there are now more than 550,000 owners of stock of Bell System companies.

The Company and its predecessor have paid regular quarterly dividends to stockholders at the rate of at least \$7.50 per share per year during each of the past 47 years. For approximately 15 years ending in 1921, the rate was uniformly \$8.00 per share and since then it has been \$9.00 per share.

NET EARNINGS PER SHARE OF A.T.&T. STOCK AVAILABLE FOR DIVIDENDS



BELL SYSTEM FINANCIAL STATEMENTS

The Bell System Balance Sheet and Income Statement which follow consolidate the accounts of the American Telephone and Telegraph Company and its twenty-four associated operating telephone companies, all inter-company duplications being excluded from the combined figures. The accounts of the Western Electric Company, Inc., The Bell Telephone Company of Canada and of subsidiary and connecting companies in which either the American Telephone and Telegraph Company or its associated telephone companies have investments are not consolidated. The investments in these companies are included in the accompanying Balance Sheet under the item Investments, and dividends and interest received from them are included in the Income Statement under Non-Operating Revenues.

Bell System Balance Sheet, December 31, 1928

(Inter-Company Duplications Excluded)

ASSETS	
Telephone Plant	\$3,275,686,848
Plant and equipment used in furnishing telephone service; comprised of land and buildings, rights of way, poles, wire, cable, underground conduit, switchboards, telephones, etc. Increase during year \$261,701,728.	
General Equipment, Tools and Supplies	87,874,623
Materials and supplies, office furniture and fixtures, automobiles, tools, etc. Increase during year \$11,479,383.	
Investments	182,167,491
Investments in stocks and bonds of, and advances to, subsidiary and connecting companies, and in miscellaneous property. These investments include stocks of Western Electric Company, Inc., The Bell Telephone Company of Canada, etc. Increase during year \$12,222,568.	
Accounts Receivable	107,915,673
Current accounts receivable from telephone subscribers, and amounts receivable from connecting companies and others.	
Temporary Cash Investments	126,268,518
Funds temporarily invested and held available for conversion into cash as needed.	
Cash	46,770,431
Cash and deposits in banks available for current requirements.	
Total Assets	<u>\$3,826,683,584</u>

NOTE: All items of intangible assets carried in the accounts of Bell System companies are excluded from the Bell System Balance Sheet through a corresponding reduction in the Surplus.

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Balance Sheet, December 31, 1928, Continued

(Inter-Company Duplications Excluded)

LIABILITIES

Capital Stock (Including Installments)	\$1,564,644,118
Par value of capital stock outstanding in hands of public, including installment payments of \$57,876,578 on stock not yet issued. Increase during year \$212,704,278.	
Common Stock	
American Telephone and Telegraph Co.	\$1,289,691,400
Associated Companies	106,260,793
Preferred Stock	
Associated Companies	110,815,347
Installments	
American Telephone and Telegraph Co.	57,870,063
Associated Companies	6,515
Long-Term Debt	964,783,700
Face value of funded obligations outstanding in hands of public. Increase during year \$38,223,714.	
Mortgage Bonds	
Associated Companies	\$531,290,140
Collateral Trust Bonds	
American Telephone and Telegraph Co.	154,806,500
Associated Companies	414,330
Debenture Bonds	
American Telephone and Telegraph Co.	224,868,500
Notes	
American Telephone and Telegraph Co.	8,409,912
Associated Companies	44,994,318
Bills Payable	377,700
Short-term obligations payable within one year.	
Accounts Payable	78,043,486
Current bills for supplies, services, etc.	
Accrued Liabilities Not Due	101,099,388
Interest, taxes, rents, etc., accrued but not due and payable until a later date.	
Reserves for Depreciation of Plant and Equipment	650,621,336
Provision for the ultimate retirement of plant and equipment used up in furnishing telephone service. Increase during year \$49,957,696.	
Reserves for Contingencies	93,316,009
Provision for contingencies. Increase during year \$2,057,528.	
Surplus (Including Capital Stock Premiums)	373,797,847
Accumulated surplus, including amounts received in excess of par value for capital stock. Increase during year \$76,844,578.	
Total Liabilities	<u>\$3,826,683,584</u>

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Income Statement For Year Ending December 31, 1928 (Inter-Company Duplications Excluded)

Exchange Revenues	\$644,209,046
Revenues from local exchange service.	
Toll Revenues	309,334,350
Revenues from long-distance and local toll service.	
Miscellaneous Revenues	21,883,427
Revenues derived from directory advertising and miscellaneous sources.	
Total Operating Revenues	<u>\$975,426,823</u>
Current Maintenance	\$154,455,282
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition, representing 5 per cent of the cost of the average plant in service during the year.	
Depreciation Expense	153,875,717
Provision to meet loss of investment when telephone property is retired from service, based on rates of depreciation for the different classes of property which spread this loss of investment uniformly over its service life. Depreciation expense during 1928 represented 5 per cent of the cost of the average depreciable plant in service.	
Traffic Expenses	212,046,089
Expenses incurred in the handling of telephone calls; principally operators' wages.	
Commercial Expenses	88,802,497
Expenses incurred in business relations with subscribers, keeping subscribers' accounts, rendering bills for service, making collections, directories, advertising, pay station commissions, etc.	
General and Miscellaneous Expenses	50,880,236
Expenses of the Executive, Accounting, Financial and Legal Departments, insurance premiums, sickness, accident and death benefits, pensions and other items of general expense incurred in operating the properties.	
Total Operating Expenses	<u>\$660,059,821</u>
Net Operating Revenues	<u>\$315,367,002</u>
Uncollectible Revenues	\$ 6,189,656
Revenues earned which, based on experience, cannot be collected.	
Taxes	81,259,679
Federal, state and local taxes applicable to the year's operations.	
Operating Income (Carried forward)	<u>\$227,917,667</u>

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Income Statement, Continued

Operating Income (Brought forward)	\$227,917,667
Non-Operating Revenues—Net	27,621,433
Dividends and interest received from investments in the Western Electric Company, Inc., The Bell Telephone Company of Canada, and in subsidiary and connecting companies; interest on bank balances and temporary cash investments, minor rent revenues and other miscellaneous non-operating income.	
Total Gross Income	<u>\$255,539,100</u>
Rents and Miscellaneous Deductions	\$ 12,816,666
Mainly rentals paid for the use of buildings, poles, conduits and other facilities.	
Net Earnings	<u>\$242,722,434</u>
Interest Deductions	\$ 51,634,795
Interest charges on funded and other debt obligations, including amortization of debt discount.	
Net Income	<u>\$191,087,639</u>
Dividends	<u>\$119,348,612</u>
To holders of common stock of American Telephone and Telegraph Co. . . . \$103,821,440	
Associated Companies 8,204,916	
To holders of preferred stock of Associated Companies 7,322,256	
Balance	<u><u>\$ 71,739,027</u></u>

DISPOSITION OF TOTAL BELL SYSTEM REVENUES YEAR ENDING DECEMBER 31, 1928



OPERATION
EXPENSES

CURRENT MAINTENANCE
AND DEPRECIATION

TAXES INTER-
EST

DIVI-
DENDS

CONTINGEN-
CIES AND
SURPLUS

BELL SYSTEM STATISTICS

Security Issues Outstanding in Hands of Public

	Par Value	Increase* During Year
Common Stock (American Telephone and Telegraph Company) (a)	<u>\$1,347,561,463</u>	<u>\$205,272,263</u>
Common Stock (Associated Companies):		
New England Telephone and Telegraph Company	\$ 42,071,700	\$ 13,600
Southern New England Telephone Company	23,329,800	4,665,900
Cincinnati and Suburban Bell Telephone Company	15,458,400	2,576,300
Mountain States Telephone and Telegraph Company	10,449,700	.....
Pacific Telephone and Telegraph Company	13,954,300	.....
Illinois Bell Telephone Company	983,100	18,700
Other Associated Companies	13,793	1,100
Total Common Stock, Associated Companies	<u>\$106,260,793</u>	<u>\$7,236,000</u>
Preferred Stock (Associated Companies) (a):		
New York Telephone Company 6½%	\$ 25,000,000	.....
Bell Telephone Company of Pennsylvania 6½%	20,000,000	.....
Diamond State Telephone Company 6½%	500,000	.....
Chesapeake and Potomac Tel. Co. of Baltimore City 7%	3,000,000	.....
Ohio Bell Telephone Company 7%	12,836,647	\$ 90,800
Wisconsin Telephone Company 7%	4,947,000	.....
Northwestern Bell Telephone Company 6½%	4,795,415	105,215
Southwestern Bell Telephone Company 7%	21,785,500	.....
Pacific Telephone and Telegraph Company 6%	17,957,300	.....
Total Preferred Stock, Associated Companies	<u>\$110,821,862</u>	<u>\$ 196,015</u>
Bonds and Notes (American Telephone and Telegraph Company) (b):	Face Value	
Collateral Trust 4s, 1929	\$ 74,675,000	\$ 3,188,000
Collateral Trust 5s, 1932 (Western Tel. & Tel. Co.)	9,969,000	.....
Collateral Trust 5s, 1946	70,162,500	751,900
Debenture 5s, 1960	122,744,400	.....
Debenture 5½s, 1943	97,635,700	137,000
Convertible 4s, 1936 (c)	2,589,000	8,000
Convertible 4½s, 1933 (c)	1,899,400	.....
Notes (sold to Trustee of Pension Fund)	8,409,912	7,785,643
Total Bonds and Notes, American Tel. and Tel. Co.	<u>\$388,084,912</u>	<u>\$ 3,716,743</u>
Bonds and Notes (Associated Companies) (b):		
New England Telephone and Telegraph Company:		
Debenture 5s, 1932 (d)	\$ 9,991,000	.....
First Mortgage Series A 5s, 1952	35,000,000	.....
First Mortgage Series B 4½s, 1961	40,000,000	\$ 33,000
New York Telephone Company:		
First and General Mortgage 4½s, 1939	61,821,340	3,870
Refunding Mortgage Series A 6s, 1941	49,659,000	.....
Debenture 6s, 1949 (d)	20,856,000	530,700
Bell Telephone Company of Pennsylvania:		
First Mtge. 5s, 1943 (Central District Telephone Co.)	9,168,500	164,000
First and Refunding Mortgage 5s, 1948	35,000,000	.....
First and Refunding Mortgage 5s, 1960	50,000,000	.....
Southern Bell Telephone and Telegraph Company:		
First & Gen. Mtge. 5s, 1937 (Cumberland Tel. & Tel. Co.)	14,969,000	.....
First Mortgage 5s, 1941	15,561,500	.....
Ohio Bell Telephone Company:		
Consolidated 5s, 1944 (Ohio State Telephone Co.)	5,128,000	214,000
Illinois Bell Telephone Company:		
First and Refunding Mortgage 5s, 1956	48,976,200	.....
Southwestern Bell Telephone Company:		
First and Refunding Mortgage 5s, 1954	49,238,600	.....
Pacific Telephone and Telegraph Company:		
First Mortgage and Collateral Trust 5s, 1937	29,013,000	479,000
First & Ref. Mtg. 5s, 1947 (Southern California Tel. Co.)	6,025,000	13,000
Refunding Mortgage 5s, 1952	24,044,000	.....
Minor Bond Issues (26 in number)	25,027,830	2,933,200
Notes (principally notes sold to Trustee of Pension Funds)	44,994,318	38,848,301
Real Estate Mortgages	2,225,500	70,300
Total Bonds and Notes, Associated Companies	<u>\$576,698,788</u>	<u>\$34,506,971</u>

(a) Includes installments.

(c) Conversion privilege expired.

(b) Includes issues assumed or guaranteed.

(d) Now secured by mortgage.

*Decreases in italics.

BELL SYSTEM STATISTICS

Employees' Benefit Plan

The Plan for Employees' Pensions, Disability Benefits and Death Benefits has been maintained by all Bell System companies since 1912. Payments thereunder during 1928 for Bell System telephone companies were as follows:

Pensions	\$ 849,838
Sickness disability benefits	4,223,204
Accident disability benefits	961,496
Death benefits	770,269

Total Payments under Plan	\$6,804,807
-------------------------------------	-------------

On December 31, 1928, there were 1,421 employees on the pension rolls, receiving service or disability pensions. The average pension paid was \$54 per month.

Thrift Plans Available to Bell System Employees

Employees' Stock Plan

Under this Plan, effective since May 1, 1921, employees who have been in service for six months, may subscribe for stock of the American Telephone and Telegraph Company—one share for each \$300 or fraction thereof of annual rate of pay, maximum 50 shares per year—and pay therefor by deductions from salary at the rate of \$3.00 per share per month. The Plan is in effect in all Bell System companies and their subsidiaries, including the Western Electric Company, Inc., and the Bell Telephone Laboratories, Inc. Participation in the Plan at the end of 1928 by employees of these companies was as follows:

Number of employees subscribing for stock	234,675
Per cent of subscribers to total number eligible under Plan	73
Number of shares on which payments are being made	976,000
Present subscription price per share	\$130

Employees' Savings Plan

Under this Plan employees may arrange for regular deductions from salary in specified amounts, which are deposited for them in savings banks in personal accounts subject to their control. Since January, 1921, when the Plan was inaugurated, fourteen companies including the Western Electric Company, Inc., and the Bell Telephone Laboratories, Inc., have provided such facilities for their employees. Participation in the Plan at the end of 1928 by employees of these companies was as follows:

Number of employees for whom deposits were being made	66,484
Amount of monthly deposits	\$900,213

Payroll Deduction Plan for Life Insurance

Under this Plan employees may obtain from certain life insurance companies standard forms of life insurance policies and make monthly premium payments through installment deductions from salary which are forwarded to the insurance company. Since December, 1926, twenty-three companies, including the Western Electric Company, Inc., and the Bell Telephone Laboratories, Inc., have provided this Plan for their employees. Participation in the Plan at the end of 1928 by employees of these companies was as follows:

Number of employees purchasing insurance	30,948
Amount of monthly premium deductions	\$154,657
Amount of insurance in effect	\$60,000,000

In addition eighteen Bell System telephone companies make monthly deductions from payroll aggregating \$11,224 for 1,715 employees, veterans of the World War, who are paying for approximately \$6,000,000 of United States Government insurance.

BELL SYSTEM STATISTICS

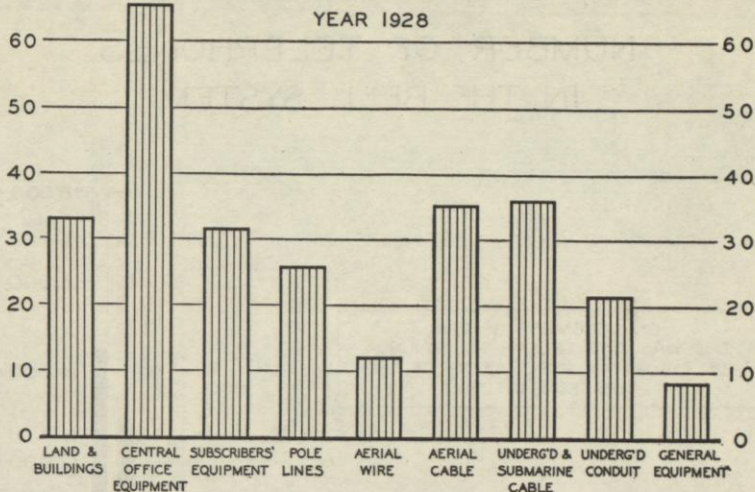
	Dec. 31, 1910	Dec. 31, 1915	Dec. 31, 1920	Dec. 31, 1925	Dec. 31, 1928	Increase* during 1928
Number of Telephones:						
Bell Companies:						
Telephones (Manual Service).....	3,933,056	5,968,110	8,176,884	10,538,935	11,377,632	201,746
Telephones (Dial Service).....	0	0	157,095	1,496,289	3,147,016	596,846
Total Bell Companies.....	3,933,056	5,968,110	8,333,979	12,035,224	14,524,648	798,592
Bell Connecting Companies and Lines..	1,949,663	3,204,385	4,267,956	4,685,000	4,672,387	32,957
Total.....	5,882,719	9,172,495	12,601,935	16,720,224	19,197,035	831,549
Number of Connecting Companies.....	7,396	8,735	9,231	9,227	8,381	511
Number of Connecting Rural Lines.....	10,449	19,579	26,032	28,861	30,415	1
Number of Central Offices.....	4,933	5,300	5,702	6,017	6,224	109
Miles of Pole Lines.....	282,877	330,602	358,091	386,064	398,026	5,512
Miles of Exchange Wire:						
Wire in Underground Cable.....	5,630,851	9,947,359	14,384,135	28,425,392	37,843,154	2,681,198
Wire in Aerial Cable.....	2,800,000	4,503,124	5,586,531	9,462,213	13,503,157	1,381,573
Open Wire.....	1,247,367	1,601,579	1,633,802	1,953,235	2,069,381	73,542
Total Exchange Wire.....	9,678,218	16,052,062	21,604,468	39,840,840	53,415,692	4,136,313
Miles of Toll Wire:						
Wire in Underground Cable.....	386,088	625,792	1,363,398	2,057,196	3,237,550	512,505
Wire in Aerial Cable.....	70,000	98,804	299,385	1,209,332	2,947,233	625,376
Open Wire.....	1,507,906	1,728,887	2,110,153	2,366,172	2,592,269	95,655
Total Toll Wire.....	1,963,994	2,453,483	3,772,936	5,632,700	8,777,052	1,233,536
Total Miles of Wire.....	11,642,212	18,505,545	25,377,404	45,473,540	62,192,744	5,369,849
Average Daily Telephone Conversations:†						
Exchange Conversations.....	21,681,471	25,183,799	31,835,353	46,702,307	56,195,936	3,614,702
Toll Conversations.....	602,539	819,030	1,327,247	2,098,163	2,839,072	224,629
Total Conversations.....	22,284,010	26,002,829	33,162,600	48,800,470	59,035,008	3,839,331
Number of Employees‡.....	120,311	156,294	231,316	293,095	334,335	25,424

* Decreases shown in italics.

† For year ending December 31.

‡ The employees of the Western Electric Company, Inc., numbering approximately 56,000 on December 31, 1928, are not included.

BELL SYSTEM STATISTICS

NET ADDITIONS TO PLANT AND EQUIPMENT
IN MILLIONS OF DOLLARS

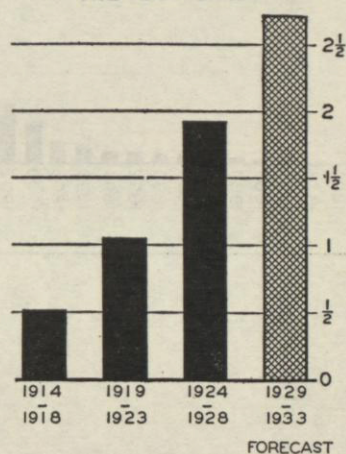
During 1928 plant construction, i.e., expenditures for additions, betterments and replacements to Bell System plant, amounted to \$428,700,000.

The chart above shows the distribution among the principal classes of plant and equipment of the net additions, amounting to \$270,168,000, during the year.

The table below shows the investment in Bell System telephone plant and the investment per telephone for each year since 1914. The chart shows gross plant construction expenditures by five-year periods since 1914 and an estimate of such expenditures for the period 1929-33.

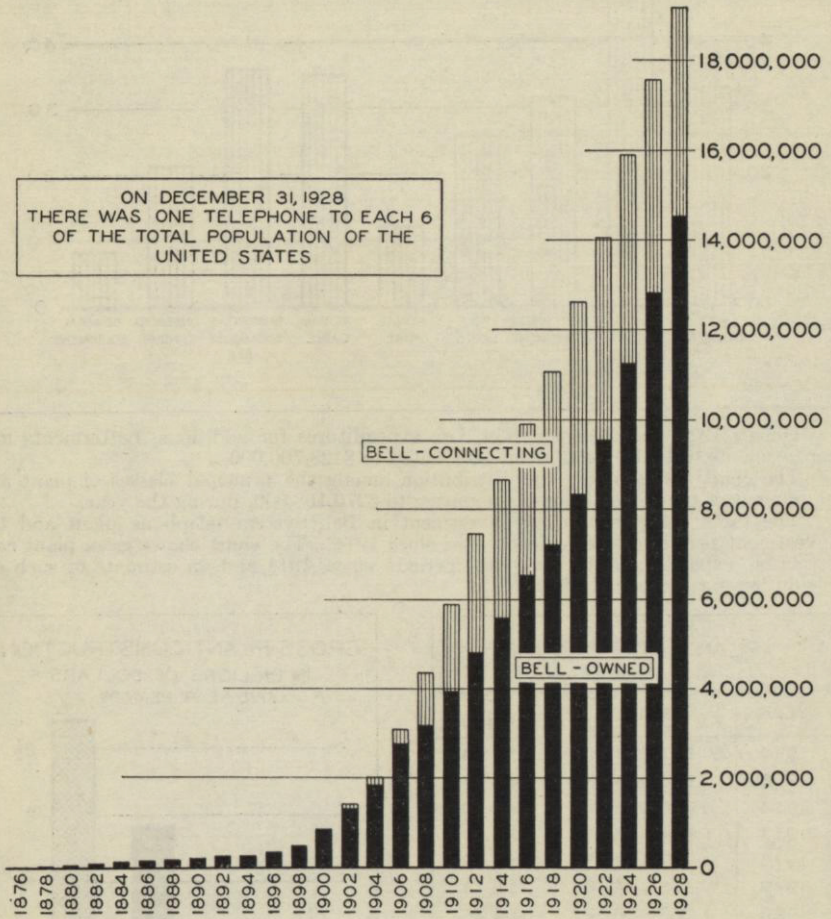
PLANT INVESTMENT
AT END OF YEAR

YEAR	TOTAL	PER TELEPHONE
1914	\$ 847,204,803	153.04
1915	880,068,520	148.67
1916	946,293,248	145.70
1917	1,064,892,710	152.60
1918	1,142,498,152	159.82
1919	1,215,944,184	158.18
1920	1,363,826,327	164.76
1921	1,543,865,545	174.32
1922	1,729,219,520	182.77
1923	1,978,947,543	191.16
1924	2,266,923,466	202.68
1925	2,524,905,590	210.86
1926	2,783,023,059	218.27
1927	3,013,985,120	220.82
1928	3,275,686,848	226.85

GROSS PLANT CONSTRUCTION
IN BILLIONS OF DOLLARS
FIVE YEAR PERIODS

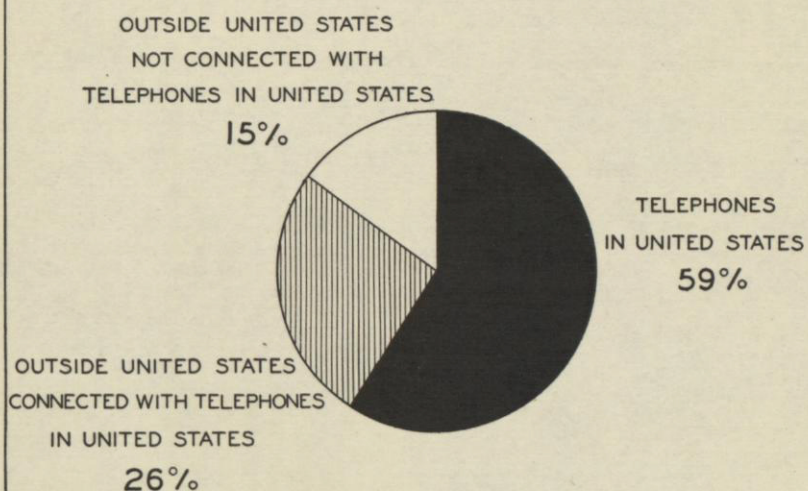
NUMBER OF TELEPHONES IN THE BELL SYSTEM

ON DECEMBER 31, 1928
THERE WAS ONE TELEPHONE TO EACH 6
OF THE TOTAL POPULATION OF THE
UNITED STATES



THE WORLD'S TELEPHONES

32,800,000 ON DECEMBER 31, 1928



85% OF THE WORLD'S TELEPHONES

CAN BE REACHED FROM ANY BELL SYSTEM TELEPHONE

THE WORLD'S TELEPHONE

1925-1926



THE WORLD'S TELEPHONE
CAN BE SEEN FROM ANY BELL SYSTEM TELEPHONE